

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Knox Analyst: Darrine Distefano Bill Number: AB 385

Related Bills: See Prior Analysis Telephone: 845-6458 Amended Date: 08/16/99

Attorney: Patrick Kusiak Sponsor:

SUBJECT: FTB Disclosure of Tax Return Information To Charter Cities if Written Agreement Exists

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as amended _05/20/99_.
☒ X

FURTHER AMENDMENTS NECESSARY.
☒ X

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED 05/20/99 STILL APPLIES.
☒ X

OTHER - See comments below.

SUMMARY OF BILL

Under the Administration of Franchise and Income Taxes (AFITL), this bill would permit the Franchise Tax Board (FTB) to disclose California income tax information to tax officials of charter cities in California. Disclosure would be under a written agreement and would be limited to (1) information essential for tax administration purposes, (2) information regarding only taxpayers with a business or residence-based business located within the charter city, and (3) a taxpayer's name, address, social security or taxpayer identification number, and business activity code. Use of the information would be limited to employees of the taxing authority of a charter city.

The charter city first would be required to certify to the FTB that taxpayers in the business activity codes for which information is requested are subject to tax under the city's ordinance. However, disclosure of information on individuals self-identified as engaging in business or professional activity code 711510 or 711130 would not be allowed if certain conditions are met.

SUMMARY OF AMENDMENT

The August 16, 1999, amendment deleted an obsolete cross-reference to a recently repealed code section.

The remainder of the department's previous analysis of the bill as amended May 20, 1999, still applies. The unresolved technical considerations are provided below for convenience.

Technical Considerations

This bill could be read to limit the information that could be provided to a charter city under affidavit, which currently is not limited. If the author

Board Position:

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Legislative Director

Date

Geoff Way for J. Rosas

9/10/1999

does not intend to limit the information that can be provided under affidavit, he may wish to amend this bill to specify that the provision created by this bill would not limit the information that can be provided under affidavit.

The repeal language in this bill varies from the language typically provided to repeal a section. Amendment 1 would provide language similar to the language usually contained in the Revenue and Taxation Code.

Code 711130 is a valid code within the North American Industry Classification System, but it is not utilized for purposes of federal principal business or professional activity reported on a taxpayer's federal tax return. To ensure that the bill excludes the intended taxpayers from having information reported to cities, the author may wish to revise the reference to code 711130.

The bill specifies that information may not be provided on a taxpayer who identified his or her business or professional activity code for federal income tax purposes as described under federal codes encompassing "independent writers, artists, and performers" and "musicians," but then states that the taxpayer must certify that he or she is a "writer, musician, director, or other creative artist." The terms used by the bill should be consistent.

BOARD POSITION

Neutral.

At its March 23, 1999, meeting, the Franchise Tax Board voted to take a neutral position on this bill as introduced February 11, 1999.

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 385
As Amended 08/16/99

AMENDMENT 1

On page 4, lines 15-16, strike "unless a later enacted statute deletes or extends that date"